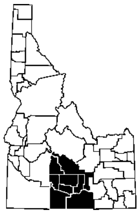

MAGIC VALLEY

BLAINE, CAMAS, CASSIA, GOODING, JEROME, LINCOLN, MINIDOKA, & TWIN FALLS COUNTIES

EMPLOYMENT TRENDS

The seasonally adjusted unemployment rate for the Magic Valley Labor Market Area for August 2003 was 3.8 percent as seen on Magic Valley Table 1. This was one-tenth of a percentage point lower than July 2003, but five-tenths of a percentage point higher than August 2002. This year-over-year increase was due to the Magic Valley economy stabilizing after an infusion of 500 or more jobs by Dell Computer Company and the loss of close to one hundred jobs from Moore North American's closure of its Jerome facility. However, the combined rate of 3.8 percent for the Magic Valley LMA is indicative of job growth and a still robust economy.

Nonfarm Payroll Jobs showed continued excellent growth in August 2003. The entire category increased by 2,450 jobs. Given the rest of the state's job losses, the job growth in the Magic Valley LMA is counter to most of the nationwide and statewide recessionary tendencies. Employment sectors that showed double-digit job growth were *Construction*, *Transportation*, and *Educational & Health Services* with increases of 25.1, 10.3, and 21.5 percent, respectively. The construction growth appears to be tied mostly to new housing starts and some larger industrial construction. Due to low interest rates and a strong local economy, the city of Twin Falls has had a record pace in new housing permits, shattering a record in 2002 and on a record-shattering pace in 2003. New store construction on the canyon rim has also contributed a great deal with a new Best Buy and a new Sportsmen's Warehouse that just opened. *Retail* showed a modest increase of 4.5 percent. This is notable because *Retail* had been somewhat flat and, in some cases, has shown small decreases over some of the past months. The trend has turned around in just the last six months or so. It may be interesting to see if the growth trend continues through the holidays and into the normal post holiday reductions in force.

Magic Valley Table 1: Labor Force & Employment
Twin Falls, Jerome, and Gooding Counties

	Aug 2003*	July 2003	Aug 2002	% Change From Last Month	% Change From Last Year
INDIVIDUALS BY PLACE OF RESIDENCE					
Seasonally Adjusted					
Civilian Labor Force	54,050	54,780	49,880	-1.3	8.4
Unemployment	2,050	2,160	1,710	-5.1	19.9
% of Labor Force Unemployed	3.8	3.9	3.4		
Total Employment	52,000	52,620	48,170	-1.2	8.0
Unadjusted					
Civilian Labor Force	55,420	55,360	51,560	0.1	7.5
Unemployment	2,150	1,990	1,880	8.0	14.4
% of Labor Force Unemployed	3.9	3.6	3.6		
Total Employment	53,270	53,370	49,680	-0.2	7.2
JOBS BY PLACE OF WORK					
Nonfarm Payroll Jobs**	43,080	42,730	40,630	0.8	6.0
Goods-Providing Industries	8,920	8,020	7,880	11.2	13.2
Natural Resources & Mining	20	20	30	0.0	-33.3
Construction	2,790	2,370	2,230	17.7	25.1
Manufacturing	6,110	5,630	5,610	8.5	8.9
Food Manufacturing	4,000	3,550	3,680	12.7	8.7
Other Manufacturing	2,110	2,080	1,930	1.4	9.3
Service-Providing Industries	34,170	34,710	32,750	-1.6	4.3
Trade, Transportation & Utilities	10,200	10,140	9,830	0.6	3.8
Wholesale Trade	1,770	1,820	1,850	-2.7	-4.3
Retail Trade	6,090	6,020	5,830	1.2	4.5
Utilities	200	160	210	25.0	-4.8
Transportation & Warehousing	2,140	2,150	1,940	-0.5	10.3
Information	500	500	500	0.0	0.0
Financial Activities	1,760	1,770	1,680	-0.6	4.8
Professional & Business Services	5,300	6,110	5,370	-13.3	-1.3
Educational & Health Services	3,730	3,850	3,070	-3.1	21.5
Leisure & Hospitality	3,940	3,600	3,660	9.4	7.7
Other Services	1,500	1,520	1,490	-1.3	0.7
Government Education	3,230	3,090	3,030	4.5	6.6
Government Administration	4,000	4,120	4,130	-2.9	-3.1

*Preliminary Estimate

**Full– or part-time jobs of people who worked for or received wages in the pay period including the 12th of the month

The sectors that showed decreases were *Natural Resources & Mining*, *Wholesale Trade*, *Utilities*, and *Professional & Business Services* with losses of 33.3, 4.3, 4.8, and 1.3 percent, respectively. The extremely large loss in *Natural Resources & Mining* is due to streamlining of personnel in rock extracting and rock crushing. Except for that larger percentage decrease, the other drops were relatively minor.

In summary, the economy of the Magic Valley LMA appears to be the best performer proportionally in the entire state, especially in the area of new job creation. With unemployment less than 4.0 percent, it also is a strong per-

CORRECTION

In the last edition of the ***Idaho Employment*** *newsletter, it was erroneously reported that a groundbreaking ceremony for St. Benedicts Family Medical Center would be held in Gooding. In fact, the groundbreaking ceremony will take place at the Crossroads area close to Interstate 84 in Jerome. The Regional Labor Economist apologizes to St. Benedicts and any others who may have been misled and regrets the error.*

former statewide. The Magic Valley economy has diversified remarkably in the last three years, and even business closures and job loss adjustments have not made a huge statistical impact. It should be interesting to see how long low interest sustains housing growth and whether stable economic growth will continue to influence market-driven retailers to locate in the area and create new jobs.

SPECIAL TOPIC:
Agricultural Recap and Forecast

Agriculture in 2003 has been a mixed bag of economic signals. Even though the 2002-2003 water year was slightly below normal, the irrigation availability has been adequate for most crops. The weather was cool in the spring, but July set records for heat. This extreme heat caused a huge demand on existing water supplies, leaving the Snake River at record low flow levels and all reservoirs virtually empty. The long years of drought have made soil moisture and groundwater availability a cause for deep concern, and this year's heat has exacerbated the situation. This winter's water season needs to be at least normal; far above normal would be better as much of the snow that will melt next spring will be absorbed more readily because the soil in the mountain areas is so dry.

The quality of the crops was very good this year. In fact, the popular maxim was if water could be maintained on the crops, they would turn out well. There was some early concern about H-2A worker availability due to the war in Iraq in March and April. The war heightened terrorism concerns, and border checks on prospective workers were more thorough and time-consuming; consequently, some early H-2A availability dates were missed. *(The H-2A temporary agricultural program establishes a means for agricultural employers who anticipate a shortage of domestic workers to bring nonimmigrant foreign workers to the U.S. to perform agricultural labor or services of a temporary or seasonal nature.)* However, hiring in agriculture was average this year. The extreme heat in July hastened the development of most crops and most harvests were early. The exception to the quality rule was in some sugar beet crops where size and sugar content was suspect as the intense heat may have caused the plants to mature too rapidly. Grain crops and even potatoes enjoyed an early harvest. The drawback was that some seasonal workers were displaced two to four weeks earlier than normal.

Commodity prices were fairly average for all commodities except potatoes and milk. Those commodities suffered some of the lowest prices they have had in decades. Potato prices were coming off an unusually strong price year on open market potatoes in 2002. The market adjusted strongly downward in 2003 as large surpluses were reported and demand for French fry products reached a 15-year low. The closure of the Simplot plant in Heyburn, as well as indefinite layoffs for 250 McCain Foods USA workers, has underlined farmers' potato contract concerns. Milk prices have seen a slump that has lasted about two years. Post September 11, 2001, changes in consumer behavior that kept a lot of people out of restaurants contributed to the decline. Recent strong health warnings about child obesity and cholesterol levels affected both French fry and milk products demand and has kept home usage flat. Also suffering somewhat is the trout market. Trout products and/or seafood are considered luxury products by many consumers and are generally purchased with discretionary income. Recessionary times are generally very detrimental to these products, although fish products are considered healthy food sources. Sales of other meat and poultry products seemed to be average in 2003.

The South Central Idaho outlook for agriculture in 2003 is more guarded than it has been in recent years. All forecasts and speculations are always predicated on adequate water in the area. If adequate irrigation water is not obtained in the 2003-2004 water season, there will be serious, if not catastrophic, consequences for many farmers. Some will have to make hard decisions concerning crop mix and duration, and long-duration crops might be difficult, if not impossible, to plant because there will be no assurance that there will be enough water to ensure that the crop will be able to mature into a harvestable commodity. Outlying counties that have already had drought emergencies will only see these situations intensify. Potato demand and contracts are a serious concern. Already Idaho potato organizations have asked for voluntary supply cutbacks from farmers, and this will only be more serious if supply and demand remain as they are. The closure of potato processing plants and layoffs in that industry cannot fail to have a detrimental effect on potato contracts. It is a great unknown as to how many contracts will be issued in South Central Idaho, and how terms and conditions may be changed or modified. General commodities, such as grains, corn, and dry beans, are expected to have an average year. Beef, poultry, pork, and lamb prices should remain flat in 2004, but could rise if the national and world economy improves. Trout prices will show improvement if the economy improves, or if other types of marketing or uses are discovered. Dairy outlook for next year is a little better than 2003. Some futures prices are nudging upward, and there are possible uses for milk and milk products in reconstruction and relief efforts in Iraq and Afghanistan. The number of dairies in South Central Idaho is expected to decrease slightly, but production and cattle numbers should remain stable. Any major dairy growth is not foreseen unless it occurs in the Mini-Cassia area.

In summary, given a larger number of unknowns than usual, the outlook for agriculture is too difficult to forecast with any degree of comfort and therefore the term "guarded" must suffice. As with everything in the South Central region, if irrigation capacity is good, the outlook will improve dramatically. The farmers of this region are some of the best in the nation and are resilient. They have endured many different business cycles and climates, and they should continue to endure and prosper.

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